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Production United States

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**Marathon
Oil Company**P.O. Box 552
Midland, TX 79702-0552
Telephone 915/682-1626

August 15, 2000

New Mexico Oil Conservation Division
Attn: Mark Ashley
2080 South Pacheco
Santa Fe, New Mexico 87505

RE: Off Lease Storage, Measurement, and Sales, Surface Commingling, and Alternative Measurement Method of Hydrocarbon Production for North Indian Basin Unit Well 32, and Federal IBA Gas Com Wells 1 and 2, Section 15, T-21-S, R-23-E, and Off Lease Storage, Measurement, and Sales and Alternative Measurement Method of Hydrocarbon Production for Indian Basin "A" Wells 2 and 3, Section 22, T-21-S, R-23-E
Federal Lease Nos. NM 05612A, NM 0384628, NM 5608, and Com Agreement SW-280

Dear Mr. Ashley:

Marathon Oil Company, as operator of the aforementioned leases, respectfully requests administrative approval for the surface commingling, off lease measurement and storage, and alternative measurement of hydrocarbon production from the North Indian Basin Unit Gas Com #32 and Federal IBA Gas Com #1, which produce from the Indian Basin Upper Penn Gas Pool, and Federal IBA Gas Com #2, which produces from the South Dagger Draw Upper Penn Associated Pool, be approved. This will involve Federal Lease Nos. NM05612A, NM 0384628, NM 05608, and Com Agreement SW-280. Marathon also requests approval of off lease measurement and storage, and alternative measurement of hydrocarbon production from the Indian Basin "A" #2 & #3. These wells are on Federal Lease No. NM 05612A and produce from the Indian Basin Upper Penn Gas Pool.

Marathon has made notification to all parties owning an interest in these leases of the intent to commingle this production. Attached, as part of this application, is a copy of the letter submitted, by certified mail, to each interest owner and a copy of the sundry notice that was sent to the Bureau of Land Management along with all its attachments. The interest owners, including all working, royalty and overriding royalty interests, of the two Indian Basin "A" wells are identical. The interest owners, including all working, royalty and overriding royalty interests, of the other three wells are identical, (see Com Agreement SW-280).

Marathon proposes to modify an existing satellite facility where the production from these wells will be gathered. This satellite facility is located at UL "K", Section 15, T-21-S, R-23-E,

Eddy County, New Mexico. This facility, after modification, will consist of two 3-phase gross production separators and a 3-phase test separator for gathering and metering the production from these five wells. One production separator will measure the two Indian Basin "A" wells, the other will measure the Federal IBA Gas Com #1 & #2 and the North Indian Basin Gas Com #32 wells. The gas will be metered and compressed and then transported to the Indian Basin Gas Plant (UL "G", Section 23, T-21-S, R-23-E, Eddy County, NM) for further processing. After processing, the gas and NGLs will be metered and sold at the tail-gate of the plant. Liquid hydrocarbon and water production will be measured using turbine meters as the Alternative Measurement Method. These meters will be proved on a regular schedule. The liquid hydrocarbon production will then be sent, via pipeline, to the Storage and Measurement Facility located at the Indian Basin Gas Plant where it will be metered again and sold through a LACT unit. The water production will be sent to a storage tank on the satellite facility location and then injected into various water disposal wells per prior approvals. All production will be allocated to wells based on monthly well tests and using the lease allocation formula shown in the attachments.

The attached drawings illustrate the proposed separation equipment and the proposed flow of production from the wellhead to the satellite facility. There is also a map of the area attached.

If you require any additional information concerning this application, please call me at (915) 687-8432. Thank you for your consideration of this request.

Sincerely,

A handwritten signature in cursive script that reads "Ginny Larke".

Ginny Larke
Engineer Technician
Indian Basin Asset Team

Attachments